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Social Development in East Asia: Warfare, Workfare, Welfare?*

Peter Wad**

“the rising tide of market solutions to economic development issues promises an accelerating need for mechanisms that assist individuals in dealing with the risks and social disruptions arising out of social, demographic, political, and economic change.”

(Schulz 1992: 97)

The Social Issue of the East Asian Miracle

The Rise and Fall of the East Asian Miracle

Considering resilient and pervasive poverty and/or rising social inequalities in many developing countries the first generation of East Asian Newly Industrializing Countries (FGNICs)¹ presented for long an outstanding record, later to be seconded by a new generation of Southeast Asian NICs (SGNICs).² For the period 1960-1990 the remarkable features of the FGNICs included (Chowdhury & Islam 1993):

- long-term economic growth and industrialization; structural adaptation and crisis-management without severe and enduring indebtedness, without pervasive reliance on IMF/WB policy and financial support;
- long term rising GNP/capita;
- relative low and stable income inequity;
- poverty eradication;
- employment generation, falling unemployment and rising labor shortages;
- improved literacy, nutrition, health, and life expectancy.

With this outstanding record of socio-economic development the question rose to prominence whether or not the East Asian countries have formulated and implemented a pathway to

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wealth and welfare, which provides lessons to be learned not only for developing countries, but for industrial countries too. More precisely the question is whether or not the East Asian countries also provide a model for Western industrial countries beset with economic problems, financially overburdened state institutions and welfare systems in crisis. In fact, the arguments were, among others: that East Asian modernization possessed a remarkable compatibility between development policy and social policy (Deyo 1992), and that East Asian governments developed *Workfare States* which were increasingly out-competing the Western *Welfare States* in the era of post-Fordist global economy (Jessop 1993). The socio-economic success of East Asian countries did in fact converge with the Radical Right in the West in the so-called *positive Welfare Orientalism* (White 1998; White & Goodman 1998).

The present financial and economic crisis in East Asia may turn the questions upside down. However, it is too early to determine whether or not the countries are able to overcome the 1997/98-financial crisis in the same way as they surpassed the economic crisis of the 1980s. But the prospects are bleak for a quick recovery compared to the situation in the late 1980s with the massive inflow of foreign direct investments from Japan and the FGNICs.

Problematic and Structure

While the social issue took the front page of the criticism launched against the IMF/WB stabilization and structural adjustment programs in the last decade, the political-economic and cultural issues took the headlines of the debates on the *East Asian Miracle*. The intention of the present paper is to bring the social issue into the center of the analysis of East Asian development combining the emphasis on poverty alleviation in international development assistance with a multi-dimensional understanding of economic and social development in East Asia.

The working hypothesis is that the relation between economic and social development must be analyzed within a broader framework combining, at the national level, structural change and social security systems on the one hand and public and private actors within their cultural context on the other hand, and furthermore relating the national structures and dynamics to the international political economy.

The article begins with a short presentation of three arguments regarding East Asian

economic and social development in the post-war period until the mid-1990s: Frederic C. Deyo's theory of social policy formation in the East Asian Newly Industrializing Countries (NICs) (Deyo 1992); Bob Jessop's theory of the long-term transition from a Keynesian Welfare State towards a Schumpeterian Workfare State - a transition, which has been shortcut by Japan and the East Asian NICs, providing them with a significant competitive advantage in an era of globalizing economies (Jessop 1993); and Esping-Andersen's general class-coalition theory with implications on the East Asian arena.

The paper proceeds with an elaboration of a larger framework for the combined analysis of economic development, structural change, social development and social security. The framework aims to assess the perspectives on the Western welfare states with regard to the socio-economic development of East Asia until 1997, providing new insight into the fabric of both social progress and social misery.

Within the outlined theoretical framework a short review of East Asian social development is undertaken. The concept of *social development* is here used to include two aspects of social deprivation and its alleviation: *human development* (the UNDP concept, differentiated in terms of material standards of living, knowledge and health) and *social security* (the cognition of acknowledged rights to and provisions of goods and services by private or public agents in cases of insufficient livelihoods). The existence of public and private social security systems is assumed to increase the social security of the population, depending on the scope, level, coverage and institutionalization of the system. The review indicates similarities and differences between the countries which even cross-historical, economic and cultural borders of the region, calling for a re-assessment of the complex developments.

Finally, the paper attempts to make sense of the social developments of the past and the future, giving priority to the global contradictions of *system*-politics during the cold-war era and the contemporary post-cold war era with the ongoing processes of economic globalization, financial instability, political democratization and inter-cultural conflicts.

The tentative conclusion is that a trend towards *workfare* (production and employment-related social security systems) evolves out of a state of *warfare* (with national security prevailing and social security provided for privately by family and kin), sustained by authoritarian power

holders in an attempt to stay in power under more political-democratic institutions and eventually opposed by the emerging labor and middle class movements with more egalitarian and universal principles of reasoning. The further development from workfare to *welfare* (social security related to social citizenship) will depend on internal socio-cultural discourses and political struggles on the one hand, and the changing international context of domestic politics, not least the fate of the Japanese and the Western welfare states.

Arguments on East Asian Socio-Economic Development

Deyo's Compatibility Thesis of Development Policy and Social Policy

Comparing Latin American with East Asian FGNICs, Deyo claimed that:

East Asian export-oriented industrialization, by contrast [to LA, pw], has been associated with less severe distributive conflict, a consequence in part of weaker political organization of the popular sector, but also because of greater compatibility between social policy and the development strategy favoured by state elites.

(Deyo 1992: 49)

Deyo argued further that the East Asian compatibility of economic and social policies increased over time:

During the 1960s and the early 1970s, pursuit of a development strategy based on cheap labor and light industry did eventuate in political conflict centered on such issues as wages and collective bargaining practices. Often, such conflicts, as well as the larger political contests in which they were embedded, were met by repression. However, as state development strategies were redirected to shifting the East Asian economies away from reliance on simple labor-intensive export manufacturing to higher value-added manufacturing and services, positive social policy which might enhance the skill and productivity of labor was seen as an even more critical component of development policy itself (...) And where emergent political pressures have urged even more rapid movement in this direction, as in South Korea and Taiwan in the late 1980s, political responses have favoured accommodation over repression.

(Deyo 1992: 49-50)

Deyo found that the policies and practices of economic restructuring during the 1970s were particularly significant for changing social policies in East Asia, relating variations in social policy among East Asian NICs to “corresponding differences in the developmental roles of states and in the nature of employment systems through which these countries have sought to wed domestic labor to the requirements of export-oriented industrialization.” (ibid.: 50)

This compatibility seems to be understood as a causal relationship; the economic development policy determines the social policy of the East Asian states. Hence, if one concludes that the economic development policies have been successful, then the social policies have been appropriate, too. Again, the whole explanation of the East Asian industrialization with low inequality is centered in the superb economic management by the governments and their state bureaucracies, a conclusion which parallels other state/policy-oriented explanations of the *East Asian Miracle* in comparison with e.g. Latin America (Jenkins 1991).

Jessop's Theory of the Schumpeterian Workfare State

In the terminology of political scientist Bob Jessop, the societal alternatives are articulated in the *Keynesian Welfare State* (KWS) and the *Schumpeterian Workfare State* (SWS), where the terms, Keynesian and Schumpeterian, refer to the particular forms of state economic intervention characterizing a specific mode of social regulation, and the terms Welfare and Workfare refer to the particular forms of social intervention of the state. Jessop (1993) provides the following characteristics of the two modes of social regulation:

- The objectives of KWS: “to promote full employment in a relatively closed national economy primarily through demand-side management, and to generalize norms of mass consumption through welfare rights and new forms of collective consumption.”

(Jessop 1993: 9)

- The objectives of the SWS: “the promotion of product, process, organizational, and market innovation; the enhancement of the structural competitiveness of open economies mainly through supply-side intervention; and the subordination of social policy to the demands of labour market flexibility and structural competitiveness.”

(Jessop 1993: 9)

Applying a regulation theory perspective Jessop argued that the Fordist regime of accumulation corresponds with the KWS while the SWS is the mode of social regulation matching the accumulation regime of Post-Fordism. But the KWS is not necessary a phase preceding the SWS as Fordism is preceding Post-Fordism, says Jessop pointing to the East Asian industrializing economies.

Jessop's theory includes three hypotheses, condensed in a forth "single audacious aphorism"

1. "a tendential shift is under way from the Keynesian welfare state (where ever it was established) to the Schumpeterian workfare state;"
2. "national states in advanced capitalist economies are subject to an admittedly uneven three-way 'hollowing out';"
3. "both tendencies are related to the transition in western economies from Fordism to post-Fordism;"
4. "a 'hollowed out' Schumpeterian workfare state provides the best possible political shell for post-Fordism."(Jessop 1993: 7)

Jessop proposed three ideal-typical forms of the SWS for further analysis: neo-liberalism, neo-corporatism and neo-statism. Neo-liberalism is a strategy based on a market-led transition to SWS. Neo-corporatism is a strategy based on "the institutionalization of a continuing, negotiated, concerted approach to the economic strategies, decisions and conduct of economic agents." (Jessop 1993: 30) Finally, neo-statism is a strategy which "involves market-conforming but state-sponsored approach to economic reorganization in which the state intervenes to guide the development of market forces." (Jessop 1993: 31)

Highlighting the importance of differentiating among forms of SWS-regulation in the East Asian economies which possess the competitive edge in the transition to post-Fordism, Jessop said:

For Japan, the four Asian tigers, and third-tier NICs in the Pacific Rim owe their remarkable economic success in part to their having been able to by-pass (for various reasons) Keynesian welfare concerns in favour of accumulation strategies which prioritised the supply-side. In turn it is the very success of the Japanese road that is

now reinforcing pressures in the other two triadic growth poles to abandon the KWS for Schumpeterian workfare strategies... Economic spaces which fail to make this transition in some form or the other will fall down the global hierarchy of economic spaces and/or be marginalized. This does not exclude struggles over the future forms of the post SWS: it makes them even more imperative.

(Jessop 1993: 36)

Hence, the West faced a difficult period of destructive de- and re-learning in combination with business reorganization in the perspective of the East if the West should sustain its competitive edge and wealth relative to the East Asian market economies.

Critique of Deyo and Jessop

In retrospect from the enduring economic stagnation of Japan during the 1990s and the 1997-financial crisis of East Asia, both approaches invite criticism, although we should notice that Deyo is more cautious than Jessop. However, the crisis has just begun and in a few years time things might again have changed dramatically, but the possible outcomes might be somewhere between the two opposite scenario of a worldwide recession and renewed rapid export growth and economic revitalization. We shall not go through Deyo's and Jessop's writings on the East Asian crisis here, but only notice that Jessop has revised his description of the social security systems in the East. Partly inspired by Sum (1998) he now prefers to classify the region by one dominant mode of regulation, called the *Listian Workfare National State* (LWNS), and one deviant case, baptized the *Richardian Workfare Colonial Regime*. Jessop defines the LWNS as a mode of regulation engineered by a strong developmental state rallying bank and industrial capitals behind a national accumulation strategy (Jessop 1999). The deviant case of Hong Kong is described with Sum as a *Ricardian Workfare Colonial Regime* (RWCR), where the economy is open and regulated through supply-side competition based on low costs with the state being not much more than a night watchman and only subsidizing wages in the form of workfare shelters, primarily cheap housing. By implication, we now have a more differentiated framework for analyzing the modes of regulation in East Asia until the return of Hong Kong and the onset of the East Asian crisis in early July 1997: the RWCR (Hong Kong), the LWNS (South Korea, Taiwan, Singapore) and the Schumpeterian Workfare National State (SWNS), a term which might only fit Japan.

Overall, Deyo and Jessop took (and still take) a political-economy approach, which included dynamic as well as structural aspects giving priority to the state. However, they ignored cultural issues and cultural diversity within the region of East Asia, and they downgraded the issue of social security systems and political agencies compared with labor market issues.

For example, Deyo mentioned in passing the particular employment systems, which bind domestic labor to the requirements of export-oriented industrialization. These various “labour regimes” provided a clue to the understanding of the labor issues of East Asian industrialization (Deyo 1989). However, he did not expand the discussion into a broader problem area of social issues, including non-working categories of the populations.

Consequently, being preoccupied with high growth and employment generating economies which were restructuring within a changing international context, Deyo and Jessop missed the profound social risks and insecurity which are an immanent part of the transition from agriculture- and subsistence-based economies to industrialized and commoditized urban societies. By implication, they did not treat the social issue in a comprehensive manner. They failed to include the social security system as a key-mediating component for the interplay between economic and political systems influenced by culturally informed political actors and their outcomes in terms of human development and/or deprivation.

Class-Coalition Theory of Welfare State Formation

Esping-Andersen bases his social policy research on the classical assumption that the transition from the traditional to the modern society is to be understood as structural change, which profoundly reshapes the livelihood of people. Modernization entails two principal changes: a new commoditized life of people, and new stratification systems related to the market and/or the state.

Esping-Andersen agrees with T.H. Marshall’s thesis that the core idea of the welfare state is *social citizenship*, but adds that it must be amended with the granting of social rights:

If social rights are given the legal and practical status of property rights, if they are inviolable, and if they are granted at the basis of citizenship rather than performance, they will entail a decommodification of the status of individuals *vis-à-vis* the market.

But the concept of social citizenship also involves social stratification: one's status as a citizen will compete with, or even replace, one's class position.

(Esping-Andersen 1990: 21)

Using social citizenship as a theoretical platform Esping-Andersen argues that the welfare state cannot be understood as such, but must be related to other key institutions for social provisions: the market and the family (sometimes the church or other voluntary associations are mentioned without giving them primary significance).

Recognizing the international diversity of social rights and welfare-state stratification systems Esping-Andersen chooses a *social class as political agent* approach (rejecting two other approaches of modern welfare research: the system/structuralist approach and the institutional approach), and he develops it further. At first, the approach of *social class as political agent* focussed on the development of the Swedish welfare state where the labor movement acted as the driving force. In a broader comparative perspective, Esping-Andersen realized that a *one-class* explanation could not stand against the evidence. He extended his one-class theory to a theory of *class-coalition and historical process* and identified three types of welfare state regimes, clustering social provisions between state, market and family in three distinct ways.

The three types of welfare-State regimes are: the liberal Welfare state, the corporatist Welfare state, and the social-democratic Welfare state. The *liberal Welfare state* is found in USA, Canada and Australia and is characterized by: "means-tested assistance, modest universal transfers, or modest social-insurance plans predominate. Benefits cater mainly to a clientele of low-income, usually working-class, state dependents." (Esping-Andersen 1990: 26)³ The *corporatist welfare state* is found in Austria, France, Germany and Italy. Here, the preservation of status differentials predominates and social rights are related to class and status. The state holds priority over the market, but relies on and supports the family institution as the main provider of social security. The re-distributive objectives are nil. The *social-democratic welfare state* is found in Scandinavia. The guiding principles are universalism and decommodification of social rights intended to promote equality of the highest standards.⁴ The welfare state provides social rights which at least secures a livelihood to citizens marginalized from market-based security and family-based assistance.

Esping-Andersen explains the differences and their overlapping in terms of a historical and interactive social actor approach rooted in Barrington Moore's historical analysis of the social origins of democracy and dictatorship.⁵ The decline of the welfare-state must be explained in the same framework as the rise of the welfare-state, he argues, and his coalition-theory does indeed explain one of the paradoxes of social policy studies, e.g. that welfare states are more resilient in societies where social spending and taxation are high compared with societies where they are low.⁶ Esping-Andersen also rejects the traditional approach of welfare analysis: quantitative analysis of spending for social purposes, searching for correlation between variables. Welfare state studies must be based on theory identifying and explaining significant patterns of social security provision, he argues.

Stretching Class-Coalition Theory to East Asia

Two delimitations of the class-coalition theory need to be highlighted. First, historical evidence indicates that at least in terms of old age provision, social security responsibility has shifted from family support and state financed means-tested social assistance towards employment-related social insurance (pensions) (Schulz 1992: 79). The variety, found by Esping-Andersen, might be falsified by closer inspection or vanish in a long-term perspective (the social democratic welfare state is very *young* and the ideal liberal welfare state is non-existing, it is argued). Second, the theory is based on Western (and partly Japanese) historical and contemporary data and experiences, not on evidence concerning East Asian developing countries.

Esping-Andersen has recently confronted the question of generalization (1994, 1996). In a global exposé on welfare systems, Esping-Andersen argues that the crisis of the welfare state is to be understood as a crisis of the premises/conditions upon which it was built. In a global economy, the plus-sum game of social security (public welfare) and economic development of the old closed economies slides into a zero-sum (or minus-sum) game with a painful trade-off between employment and equality on the one hand and national competitiveness and growth on the other hand. This profound shift in welfare policy-making relates to structural shifts: 1) non-inflationary demand-led growth is impossible today; 2) employment generation takes place in services and no longer in manufacturing; 3) the population is aging; 4) the conventional (nuclear) family is declining; 5) the life course is changing and diversifying. By implication, the history of the welfare state building in post-world-war Europe can not be

repeated by contemporary nations facing social problems.

Esping-Andersen sticks to his theory, broadening the vocabulary saying that “political and institutional mechanisms of interest representation and political consensus-building matter tremendously in terms of managing welfare, employment and growth objectives.” (Esping-Andersen 1994: 7-8) Hence, a second conclusion holds that “favourable institutional environment may be as capable as free markets in nurturing flexibility and efficiency.” (Esping-Andersen 1994: 8) In consequence, the response in terms of social policy to more open and global economic competition is that various welfare systems changes in different ways, and Esping-Andersen identifies four ways of adaptation:

- * The *Scandinavian route* (welfare state employment expansion) keeping the system intact at a lower level of assistance and initiating measures to return non-employed to employment based on a social investment strategy (education).

- * The *neo-liberal route* (labor-market deregulation and welfare reduction) reforming or eliminating the welfare system by returning to means-tested assistance and privatization of social insurance (Chile being the most famous example, glorified by the World Bank).

- * The *labour reduction route* (induced labor supply reduction) whereby the active labor force is reduced through retirement on the one hand and promotion of the family as the primary social security system on the other hand.

- * The *hybrid welfare regime of East Asia*, giving prominence to Confucian familism, keeping public social security provisions at a minimum and priority to training and education instead (social investment) of income maintenance.

Stressing that East Asia compares with Scandinavia in terms of prioritizing social investment and differs in terms of very low levels of public social protection, Esping-Andersen recognizes that something new might be evolving in East Asia combining family-based social security and state guided social investment.

Criticizing Esping-Andersen (1990) for his narrow Western perspective and historical evidence, Jones (1993) takes the full step and argues in favor of a fourth, clean category of

“Confucian Welfare States” or “Household economy welfare states.”

The *Confucian welfare state* is characterized by two striking features: educational priorities and non-statutory social welfare (Jones 1993: 213) and differentiated from the other types in the following ways: “Conservative corporatism without (Western) style worker participation; subsidiarity without the Church; solidarity without equality; laissez-faire without libertarianism.” (ibid.: 214)

While Jones (1993) and Esping-Andersen (1994) do not hold antagonistic positions about the character of the welfare systems of East Asia, the post-war economic and social developments in East Asia more profoundly seem to undermine Esping-Andersen's very premises for the adaptation of (Western) welfare states to globalization: the trade-off between growth and equity in an open economic setting. The East Asian economies (in particular FGNICs, but also some SGNICs) demonstrated that economic growth, full employment and low-income inequality can be realized at the same time in an increasingly internationalized, regionalized and globalized economic setting!

In sum, it might be safe to conclude that, viewed in a contemporary historical perspective, the liberal welfare state does exist in theory, but less so in practice. The real contest is between the corporate welfare state with its selective promotion of social insurance and the social democratic welfare state with its universal social assistance coverage and social insurance provisions aiming at income-maintenance. This said, the liberal model is probably first and foremost to be found in developing countries having undergone stabilization and structural adjustment policies (e.g. Chile), because these policies promote market mechanisms (e.g. private insurance) and do only provide meager means for social security for risk-prone groups of the population. In general, the family remains the principal source of social support in developing countries, eventually assisted by public programs (Schulz 1992: 79).

This hypothesis does fit with the class-coalition theory of Esping-Andersen, if it is *internationalized* so to speak. The coalition-building process takes place in an international political-economic context of co-operation and confrontation between nation-states, transnational companies and international organizations. Indebted countries are very dependent on international financial rescue - and policy conditionalities, which again might

underpin the existing regime by making it more autonomous to domestic stakeholders.

From Welfare State to Social Development

Conceptual Clarifications

The term *social development* is a much used, broad and vague concept. Within development research and policy the *alleviation of poverty* became the center of interest, especially among the so-called *like-minded* donors of the North (Denmark, Sweden, Norway, the Netherlands and Canada). The World Bank took much interest in the issue in the 1970s and again but more modest in the 1990s.

The World Bank published a thematic issue of the World Development Report on poverty in 1990, defining poverty as “the inability to attain a minimal standard of living.” (WDR 1990: 26) The World Bank operates with concepts of absolute poverty and relative poverty, and it separates poverty from the broader concept of social welfare, including health, life expectancy, literacy, and access to common and public resources.

Earlier, the World Bank launched the concept and development index of *physical life quality*, composed of life expectancy, education and health. The PLQI never became the leading issue of World Bank policies and practices, which remained stuck to economic development while adding secondary considerations from time to time (Gibbon 1993).

Confronting the mainstream understanding of the WB’s World Development Indicators, the UNDP has attempted to formulate a new concept of *human development*:

Human development is a process of enlarging people’s choices. In principle, these choices can be infinite and change over time. But at all levels of development, the three essential ones are for people to live a long and healthy life, to acquire knowledge and to have access to resources needed for a decent standard of living...

(UNDP “Human Development Report 1990:” 10)

Operationalizing this definition the UNDP does not transcend the World Bank. UNDP merely combine economic and social indicators into a Human Development Index (HDI) composed of: Life expectancy at birth; adult literacy rate; and the average official *poverty line* income in nine industrial countries, adjusted by purchasing power parities (UNDP *ibid*: 13). The UNDP works incessantly to improve the HDI. It does not yet incorporate e.g. country specific social

inequality.

In ordinary UN terminology, social development normally signifies at least four aspects: poverty eradication, educational and health improvement, habitat development (e.g. access to clean and portable water for domestic purposes) and sufficient provision and security of nutrition.

This complex of social development overlaps with the broader conceptualization of poverty, understood as deprivation (Chambers 1983: 1995). Poverty is a ratchet, interdependent with physical weakness, vulnerability, powerlessness and isolation (1983), adding social inferiority, seasonal deprivation and humiliation (1995). Taking a *sustainable livelihood* perspective Chambers tries to comprehend the *local, complex, diverse and dynamic* world of the poor people and the strategies applied in their struggle against deprivation. The outcome is a simple model of sustainable livelihood, composed of three elements: the livelihood capabilities of people, tangible assets (stores and resources) and intangible assets (claims and access) (applied in a recent evaluation of poverty alleviation in Danish development assistance, Danida 1996).

The most demanding conceptualization of social development is embarked upon the concept of the *welfare state* understood as social citizenship empowered with social rights (Esping-Andersen 1990: 21, referring to T.H. Marshall). The UN concept of economic, social and cultural rights is more vague and superfluous because the UN Covenant on Economic, Social and Cultural Rights does not identify the providers accountable to deliver the provisions claimed by the social citizens.

Addressing the Social Summit of 1995 the UNDP tried to rephrase the debate by giving prominence to the concept of *human security*, meaning job security, income security health security, ecological security and security against crime; adding negatively, freedom from hunger, sickness, crime and suppression, against sudden and painful interruption of daily life at home, at work, in society or the environment (UNDP 1994 (DK edition): 15).

Hence, while disagreeing about the exact composition of elements/indicators, policy-makers and researchers seem to agree that social development is a multi-dimensional concept, including various parts of social life. I propose to define the concept of social development as

a broad concept, composed of human development and the quality of social security systems. Welfare states provide for high human development and public social security systems, based on the specific notions of social citizenship. This framework enables us to differentiate between various systems and dynamics of social development, abstaining from the euro-centric inclination to assume that the Western welfare states per se are the yardstick of social development worldwide. However, we have not considered the notion of social development as a particular approach where economic and social development interlock and policies for social development by implication acknowledge this relationship by integrating these two aspects in practice (Midgley 1996).

Structural Change and Social Insecurity

The theoretical roots of class-coalition theory are indeed very old, even as old as classical political economy (Esping-Andersen 1990). The crux of the matter is that economic development generates and is generated by structural change, destruction and rebuilding of social security networks and the transformation of human resources in need of and necessary for economic development. When economic development includes or interlocks with the transition from a non-market to a market economy, then social problems become immanent to economic development. Or as it is said by James H. Schulz:

Very simply, all economic systems relying heavily on markets need ways of providing for those who cannot participate in markets; labour markets need welfare states, or people will die or revolt (or both).

(Schulz 1992: 88)

By implication, if the policy-makers of East Asia think that the people of East Asia can do without institutions for social security, they will face mass starvation and/or mass rebellion. They have to invent new mechanisms for handling social problems, when the old ones get outdated unable to cope with the social problems of rapid economic growth, industrialization, urbanization and institutional disembedding.

Capitalist development is a very destructive process (Fallow cited by Schulz 1992: 89). It is inter-linked with changes of the economic structure and their social and natural environments, but it is essential a dynamic process of industrial mutation from within, which Schumpeter

labeled creative destruction and appointed “the essential fact about capitalism.” Yet, despite this drive for change, new social security measures are not provided eo ipso or by capitalism itself. Somebody must do it. Somebody must recognize the private problems of people and turn them into public issues (to paraphrase C. Wright Mills), formulating recipes for problem-solving and creating the political power to turn ideas into policies and practice. The class-coalition theory aims exactly for this understanding, but in East Asia, the problem of class is not only a theoretical problem. Social groups often organize along other lines than class boundaries and conflicts. Culture, including ethnicity, matters.

The Cultural Embeddedness of Social Development

The cultural issue seems in general to be ignored in economic and sociological approaches to poverty and welfare studies. It is missing in Esping-Andersen’s theory, in the thinking of the World Bank (for a critique of the WB see Moore 1993), and in the grass-root philosophy of Chambers who provides universal paradigms of antagonism and contradictions between the rich and the poor, the center and the periphery, between normal professionalism and the new professionalism. But the evidence from East Asia turns us to reconsider the predominance of class analysis and link it to the cultural dimension of socio-economic development. Moreover, the power holders of East Asian states argue along cultural premises, rejecting Western civilization and claiming hegemony in terms of Confucian, Islamic and other non-Western principles of morality and social order.

The theory of Esping-Andersen (1990) is primarily a historical-sociological theory, inspired by classical political economy. He seems to address cultural diversity in terms of political ideologies and the ideological solutions to the fundamental issues of (de) commodification and stratification. In this way he reduces cultural diversity to instrumental rationality without considering deeper patterns of cultures, subcultures, countercultures (i.e. modes of cognizance, assessments, rationalization legitimization and communication). He omits the notion of social welfare as public discourse which relates very much to the arguments applied in public and private decision-making.

Esping-Andersen identifies three ideologies with different approaches to social policy: conservatism,⁷ liberalism⁸ and socialism.⁹ In terms of their conception and evaluation of social policy and decommodification they differ in various ways. Comparing the three

political ideologies of social policy, Esping-Andersen makes the following specifications:

It is in the quality and arrangement of social rights, not in their existence *per se*, that we can identify a distinct social approach. In contrast to the conservative models, dependence on family, morality, or authority is not the substitute for market dependence; the notion is rather that of individual independence. And, in contrast to liberalism, socialism's aim is to maximize and institutionalize rights. Where the fully developed socialist paradigm is pursued, it should, in principle, facilitate a de-proletarianization of the worker's status: the worker's relationship to work will begin to approximate what privileged strata (such as the civil service) had enjoyed for decades and even centuries.

(Esping-Andersen 1990: 47)

Esping-Andersen argues that workers are not *per se* socialists, and that they may be mobilized by various political ideologies. He does not explain how and why they are mobilized in different ways, but it seems to depend on the (initial) formation of working class movements, their struggle for political power and their options for coalition making and implementation of social legislation. When conservative political forces are able to provide social security for selected groups their status are affected, and they may rally around these parties, as they see them as their protectors.

If Esping-Andersen had considered the question of culture both as sub- or counter-culture he might have been able to link working class divisions with the formation of organized movements and the success or failure of mobilization. The point is that even in rather homogeneous cultures the cultural legacy might be quite complex, contradictory and open for many interpretations. This holds good for the dominant East Asian cultures, philosophies and religions: Confucianism, Buddhism and Islam. In the perspective of institutional organization theory, cultural meanings and identities are used or created by social actors in order to form, sustain or change social organization (Scott 1995; Christensen & Scott 1996).

Economic Development, Structural Change and Social Security:

A Theoretical Framework for the Analysis of East Asian Social Development

Analyzing social development in East Asia in the post-war era until the mid-1990s requires

that we combine the social, economic, political and cultural dimensions of development at the local, national and international levels.

Employment/work is assumed to be the fundamental divide of a population, splitting it into two categories: the working people (persons making their own livelihood as subsistence producers, self-employed, wage workers, salary employees, persons of independent means) and the non-working people (unemployed, students, house-spouses, pensioners, disabled, injured, survivors, children, sick people, women on maternity leave). The non-working people are dependent on transfer of cash and tradable goods or services from different (or combined) sources: the family (in various forms), the state, non-governmental or voluntary organizations (civil society), or economic agencies (firms, co-operatives etc).

For clarification, we define social development as a multi-dimensional improvement of the lives of both working and non-working people, including at least the improvement and sustainability of material standards of living, adequate nutrition, basic health, basic literacy and basic accommodation (including access to clean and adequate water for domestic purposes). Social development incorporates human development and reduced social insecurity.

Our theory is that social development is determined by six key factors/set of factors:

- Economic development (including growth, employment generation and unemployment reduction).
- Structural change (including changing control and ownership of tangible and intangible assets, transition from subsistence to commoditized based livelihoods, urbanization, gender-based division of labor).
- Social security systems (including family, community, state and company provisions).
- The polity, policies and administration of social development.
- The culture of the population (including cognition, valuation, justification, rationalization and norms about social issues and welfare systems).
- The interlocking in time and space of the domestic and the international political-economic-cultural contexts.

The theory rests on a set of working assumptions:

- 1) rapid economic growth and industrialization causes structural change, social dislocation and urbanization.
- 2) structural changes and especially market economy and capitalism generates increased social risks (market fluctuations, unemployment) while undermining traditional social security systems without necessarily generating new systems for social provisions.
- 3) the development of alternative social security systems depends on public recognition of the new social issues, formation of (political) agencies with culturally rooted welfare outlooks, establishment of (political) alliances or networks, combined with a new discourse on social security and reflections about the experiences with particular initiatives and their implementation.
- 4) social development will be determined by the combined effect of economic development, structural transformation and social security building, and it will again influence on the prospects for further development of the economy, structure and the social security systems on the one hand and the policies and practices pursued by key agencies.
- 5) the domestic fabric of social development (or deprivation) is contextualized within an international political-economic-cultural setting and dynamic.

The state, market and family were the institutions and agencies considered important by Esping-Andersen. We add a fourth, civil society with its religious and/or secular institutions and actors, which often provides essential social assistance in cash and services. For example, the Islamic zakat is a traditional cash delivery to the poor in Muslim societies which might be delivered individually or collected in an organized way similar to a tax. Securing these resources for deprived people generate influence and support for e.g. Islamic fundamentalist organizations which provides child care centers, food, health clinics, shelter and dignity to poor people in e.g. the Palestinian areas. This leads us to the sixth assumption:

- 6) the providers of social security for deprived people generate a strong potential for loyalty

and dedication among deprived people in wider areas of action.

It needs to be underlined that the factor of social security systems is to be considered as a mediating factor in explaining social development, while the other factors are seen as background conditions. Having formulated a theory of social development we can return to the opening question in a reformulated way:

- A) Has social development in East Asia evolved with economic and structural change, and/or does it relate to the establishment of new social security systems in the wave of economic growth and structural change?
- B) Have the East Asian countries created new social security systems which bypass Western welfare systems and creates the premises for sustained economic and social development in a globalizing economy?

These two questions are addressed in the following exposé on the social development of East Asia and the prevalent explanations of the trends observed. Japan is excluded from the analysis because it industrialized long before the other countries. The transition economies, e.g. the Peoples Republic of China (PRC) is treated superficial because its social security problems are qualitative different considering a state-socialist plan-economy in transition to a state-socialist market economy.

Explaining Social Development in East Asia

Diversity and Trends in Human Development

The application of various human development indicators of social development pictures a complex of social standards among the populations in East Asia. Beside the city states (Hong Kong and Singapore), which are without a large rural sector of low productivity and poverty, the Taiwanese and Chinese developments come close to *social miracles*: Taiwan reached a level of 5 per cent poverty in 1975, and China seems to have a very low poverty incidence in the middle of the 1980s; both societies have rather low income inequalities and options for long lives. South Korea also fared very well.

The rest of the countries fail one way or the other. The Philippines has an outstanding

educational record, especially at higher grades, but wide spread social misery. Malaysia has long life expectancy, low poverty incidence, but a very bad adult literacy record and high-income inequality. Thailand has high adult literacy and a medium income inequality, but still also a medium poverty rate (26 per cent in 1986). Indonesia has a low poverty rate and income inequality, but on other dimensions, Indonesia scores low, and she is lowest among all countries in terms of life expectancy.

How can we understand this complexity of human developments in East Asia, composed of *social miracles* and *social tragedies*? In accordance with our theory, we shall now consider key factors determining social development in East Asia: Economic development, socio-structural change, public provision of social security, and cultural institutions for social security. In this section, we concentrate on economic and socio-structural aspects, and leave the social security issue to the next section.

Economic Development in East Asia

The economic potential of the East Asian economies has grown tremendously in the period 1960-90. GNP/capita (in USD & current prices) has improved approximately 30 times in Hong Kong, Singapore and South Korea. The least improvements are found in the Philippines and China (5 times), followed by Indonesia (7 times) and Malaysia (9 times). Thailand takes the middle ground (14 times).

The growth path has been nearly uninterrupted for most countries. Only shorter recessions can be traced during the following years: In Hong Kong, real GDP growth was around zero in 1975 and 1985; in South Korea it went down with 2 per cent in 1980; in Taiwan it never went below 1 per cent growth (see Chowdhury & Islam 1993: chap. 11). Malaysia and Indonesia witnessed a recession in the middle of the 1980s.

The Philippines is the only country with a deep economic recession, where real GNP went down from 5 per cent in 1980 to 1 per cent in 1983, -7 per cent in 1984 and -4 per cent in 1985; it recovered in 1986 with 2 per cent and rose to 6 per cent in 1987 (Dohner & Haggard 1994). The average annual growth rate of Philippines' GNP/capita during 1980-91 is also negative (-1,2 per cent WDR 1993).

This overall impressive economic growth evolved although the economies met heavy external shocks in the 1970s and 1980s. Chowdhury & Islam show that the external shocks (additional current account deficits due to the rise in import bills and decline in exports) to the FGNICs amounted to –46 per cent of GNP in Singapore, 27 per cent in Hong Kong, and 13 per cent in both South Korea and Taiwan (op. cit. table 11.1: 194). But they managed to overcome these shocks by policy induced reductions in expenditures and increased growth of the tradable sector (op. cit.: 195). Only South Korea ended up with a huge foreign debt yet without being trapped. South Korea reduced its external dependency in the 1980s. The Philippines was badly hit in the early 1980s but managed to reduce overall debt payments and ended up at a high, yet lower level in 1991. The very bleak picture is indeed Indonesia with a debt steadily increasing and reaching 33 per cent debt servicing of merchandised export in 1991. Hong Kong and Taiwan have foreign net reserves and Singapore a very tiny debt.

The transition from agricultural to non-agricultural production has taken place in Taiwan, South Korea, Thailand and Indonesia and less so in Malaysia and China, the city-states are non-agricultural societies per se). In the Philippines agricultural production only fell slightly relative to overall production. Agriculture still provides 20-30 per cent of GDP in 1990 in Malaysia, the Philippines, Indonesia and China.

The first generation of East Asian NICs is already entering the stage of *de-industrialization* or *post-industrial* society. In Hong Kong the industrial sector decreased relatively to the tertiary sector throughout the whole period 1960-90. Nevertheless, industrial output grew very rapidly and steady during the period, and so did employment in the manufacturing sector. The job-creating growth path of the FGNICs and SGNICs overtook labor force growth thereby reducing unemployment to the point of labor scarcity in some countries and industries.

Wages within the manufacturing sector rose rapidly during 1960-90. The most surprising finding relates anyway to the Philippines where real wages fell in the 1970s and rose in the 1980s! This trend is contrary to the changes in production growth rates.

Finally, savings and investments reached very high levels in all countries except the Philippines in the 1980s. But they started at rather low levels in Indonesia, South Korea and Singapore. Investments reach the impasse in the 1980s in Hong Kong and Singapore while

investments have continued their impressive growth in South Korea, Thailand, Indonesia and China through out the period and slowing down without stagnating in Malaysia.

In sum, the economic development of the FGNICs has proceeded at a speed which is exceptional even in historical times, and even surpassing the industrial revolution into a post-industrial one in Hong Kong and Singapore. However, our interest does not focus on the economic changes per se, but on their linkages to processes of social development. Hence, the relevant question is whether the economic developments of East Asia caused the diverse trends in human development, including *human miracles*, mixed human developments and the *human tragedy* of the Philippines?

A tentative answer is indicated by comparing the ranking of East Asian countries relative to all other countries in terms of economic development (WB's GNP/capita in USD) and human development (UNDP's Human Development Index) (Taiwan omitted by UNDP and WB). The result is that the East Asian countries in general improved their status in terms of HDI despite their impressive economic development! The most significant positive upgrading in HDI minus GNP/capita is China, but even the Philippines raises 22 points. On the opposite hand, the fall of Singapore is remarkable. Singapore's HDI ranking is down 17 steps relative to its GNP/capita ranking. Hong Kong and South Korea hold the same level in terms of economic and HDI ranking respectively.

These figures may be interpreted with caution. A country can rise in HDI-ranking if it falls in GNP/capita ranking, i.e. if the economy does not proceed in the same speed as the *country group of reference* while still sustaining its HDI at the average level of the reference countries (or sustaining its GNP/capita compared to a raise in HDI). The Philippines seems to represent the case of slow long-term economic growth and more rapid improvement of human development indicators. Otherwise with Singapore. This city-state scores very low on HDI compared to its GNP/capita volume and we do not talk about a *city state disease* as Hong Kong stands.

In sum, compared with their economic performance the East Asian societies made as good or even better achievements in human development terms (except Singapore)! This finding may be the real surprise and question whether we might label East Asia *a human miracle* or even a

social miracle? While the FGNICs had fine marks in human development, the SGNICs showed very good records compared to their level of economic development. China topped both in human development terms alone and in relative socio-economic terms.

In order to interpreting these findings we must continue our exploration into the structural changes of the region and the reconfiguration of their social security systems.

Changes in Social Structures

Labor force participation rate has not increased as much as might be expected. It was already at a high level in all countries in 1960 (above 50 per cent of working age 15-64 years). Yet, twenty years later Hong Kong, Singapore and China had significant higher levels while the labor force participation had stagnated in the Philippines. The remarkable thing is that women's share of employment is above average in only Thailand and China, the average being well below fifty percent.

The most impressive finding is, anyway, that several countries have labor force participation rates relative to the whole population at 50 per cent and above in 1990-92 (UNDP HDR 1994): Singapore 65 per cent, South Korea 61 per cent, China 59 per cent, Philippines 56 per cent, Thailand 56 per cent, and Hong Kong 50 per cent. Malaysia is down to 38 per cent while Indonesia is a bit above with 43 per cent! In 1991, the average for developing countries are 45 per cent and 48 per cent for industrialized countries, with Denmark highest at 56 per cent (UNDP 1994).

As expected relocation of labor took place from agricultural to non-agricultural (manufacturing, service) employment. The migration from farm employment was massive in South Korea, Taiwan and Malaysia (1960 to 1990), paralleled by rapid urbanization in South Korea but much more modest in Malaysia. The least urbanized country is Thailand and this was the case in 1960, too (together with Indonesia where urbanization has proceeded more rapidly since then).

Changing divisions of labor have not everywhere been matched by similar productivity changes. Looking at *Kuznets differences* (GDP shares minus labor force shares of particular sectors of the economy) lower productivity levels are found in Thai, Indonesian and

Philippine agriculture, while relative production value in Malaysian agriculture matches the relative share of manpower (less so in Taiwan and South Korea indicating a relative productivity problem in agriculture). Yet the figures shall be taken with caution as low registered value of agricultural production compared to employment may indicate high subsistence production or informal marketing and not necessarily low productivity per labor input (man-year).

Despite the long life expectancy the aging of the populations is not significant, being below 10 per cent (65+ years). Only Hong Kong, Singapore and China have slightly higher shares of older people than the other countries in the region. But none are in the neighborhood of e.g. Japan (22 per cent, 1991). In the decades ahead, this picture will change, indicated by the slowing down of the increase in labor force participation and in the prolonged life expectancy.

Finally, an important dimension of socio-structural change is family patterns. No data are available on the stability or change of the traditional extended family pattern (although Esping-Andersen says it is changing towards nuclear families, but probably not to single parent families as in the West).

In sum, the overall picture of the livelihood of East Asian people is rather clear: urban livelihoods in South Korea (and the city states of course), less so in Malaysia and the Philippines, while rural livelihoods still prevail in Thailand, Indonesia and China. Moreover, the national dependency rate is low except in Malaysia and Indonesia. Women participation in the labor force is only relatively high in Thailand and China. Therefore, traditional social security systems might here be intact at the family level, either based on a stable rural livelihood, rural-urban networks or on urban family households in urban districts.

Human Development Explained?

The *human miracle* of East Asian countries might then be easily explained: economic development has transformed and upgraded social livelihoods especially in South Korea, Taiwan and partly Malaysia, without severely testing the transformation or maintenance of social security systems in times of economic downturns and stagnation.

The industrial revolution has included job creation, reduced levels of unemployment, rising

real wages, productivity growth in manufacturing, and finally, a fantastic savings and investment behavior. Until 1997 no serious enduring economic recessions matured (except in the Philippines). Absolute poverty has been reduced very much, and relative inequality has been narrowed several places. Life expectancy has improved with satisfactory nutrition levels and food supply. Higher human capital formation has expanded ahead of comparable countries (lower human capital formation has not proceeded as well).

The big social issue of provisioning for the old has so far not matured in East Asia, given low unemployment, low women employment rates and relatively few very old people. This problem lies ahead. Yet, with rapid industrialization and commodification, other social problems arise and insecurity might prevail. The *human miracle* might not be identical with a *social miracle*!

All in all, the East Asian countries have seemingly been timing their industrial revolutions to the opening of the world (especially the US) market and the availability of younger and industrious people investing massively in tangible productive assets and human resources. But under normal conditions such enormous relocations might turn into social dislocations to the point of social earthquakes and being accompanied with widespread anxiety and insecurity.

However, the analysis indicates surprisingly that only some populations have witnessed a profound structural transformation of social life during the era of rapid economic development (South Korea, Taiwan China and partly Malaysia, the city states forming special cases). And the *no-change* of the Philippines must be interpreted as *de-development* relative to the dynamic changes in the region in general.

The crucial question is then, whether or not these differences in socio-economic structural changes condition or are conditioned by patterns and changes in social security systems? This questions begs a lot of related questions: Have people in some countries been less reluctant to change to modern, urban-industrial livelihoods as no (or at least inappropriate) safety nets did not exist? Did they exist or evolve in societies undergoing tremendous social restructuring? Did the East Asian societies prepare for upcoming social problems by creating new systems of social security while leaving Western welfare models aside?

The challenging question is indeed: Can the *human miracle* of East Asia be explained in economic and socio-structural terms alone, ignoring social security aspects? Or more bluntly: Can human and social welfare evolve without welfare state policies as we know them in the West? And finally, are the economic and human miracles until 1997 conditioned by the evolution of social security systems which facilitated if not outright provided incentive for the migration of people from rural to urban livelihoods by e.g. reducing the social risks and costs of socio-economic transformation?

Diversity and Trends in Public Social Security

The US Department of Health and Human Services has formulated a practical framework for describing social problems and public social security programs. This system is not incompatible with our approach and it provides us with empirical data around 1990 which allow us to start analyzing patterns and changes of public social security systems (hereafter called PSSS) in East Asia. The PSSS comprises five types of social problems: 1) old age, invalidity, disablement and death of breadwinners, 2) sickness and maternity, 3) work injury, 4) unemployment, and 5) family problems of subsistence. The problems are addressed in terms of state sponsored income maintenance schemes, which are again to be classified in a typology of five PSSSs: Employer-based social insurance system, social insurance system, provident fund system, and social assistance system.

Regarding the scope of social security legislation, Hong Kong is the only country having legislated within all five social fields (programs); China only misses the family allowance program; South Korea, Taiwan, Indonesia, Philippines and Singapore have programs concerning Old age etc., sickness etc. and work injury; Malaysia and Thailand have only covered two branches: Malaysia old age etc. and work injury etc while Thailand has covered sickness & maternity and work injury.

The difference between workfare and welfare systems is very much a question of coverage (universalistic versus particularistic or residual criteria). In East Asia around 1990 the coverage of the social security programs is more similar than the scope of legislation. Social security provisions are often related to employment status. In all countries, public employees (civil servants and military personnel) are covered either by separate provisions or by larger

programs. In China, formalized social security provision is mostly confined to employed people in urban areas, and to regularly employed persons (permanent or contract), not employees without permits. But peasants with work contracts are eligible for insurance now. In Taiwan, retirement allowances are extended to most firms and workforces.

The history of social legislation in East Asia varies too: Work injury legislation dates back to the late 1920s in Taiwan and Malaysia while pension schemes mushroomed in the 1950s (Indonesia, Malaysia, Singapore, Taiwan, Thailand, China) (Hort & Kuhnle 1998). Unemployment programs were only found in Hong Kong before the 1980s, being instituted in 1977, and then China (1986) and South Korea (1995) embarked on developing some kind of income maintenance for particular groups of unemployed. Thailand passed a Social Insurance Act back in 1954, including old age, invalidity, survivors' insurance benefits, and sickness, maternity and family allowances, but it was never enforced. In 1990, a more serious social reform period began.

Based on this indicative overview, is it then safe to conclude that social legislation lacks far behind economic development in East Asia until 1997- with social development being at par with or ahead of economic development?

We agree with Tyabji that the social security systems of Asian Pacific are "by and large fairly narrow in scope, frequently confined to government employees or at most to the urban population," (Tyabji 1993: 68) but disagree when Tyabji say that "the country programs, in contrast to the social insurance principle in the older system of the West, tend to use the provident fund and employer liability approaches which do not involve risk pooling." (ibid. 1993: 68).

The employment based insurance principle is in fact much used and used by the more economically advanced countries either in terms of contemporary standards (South Korea, Taiwan) or past performance (the Philippines) - the city states forming a special problem area. As the aging of the populations continues with high life expectancy, we may even see that provident fund systems and lump-sum payments of pension insurance will be transformed into annual payments to secure regular pensions.

The crux of the matter is that social security systems are based on employment one way or the other. Only Hong Kong has a system which is more extensive (universal) but also very meager with means-tested provisions. China on the other hand has based its system on socialist production units, and this system is shaken by the reform process. It might nevertheless be transformed into an employment-based insurance or provident fund system. Thailand has only a system in the making.

So what? Compared to the social problems and issues of East Asian development, it might be safe to conclude that the social problems of the past were at first overlooked or subordinated the national security of the state (warfare) and then later to be accommodated by employment generating industrialization adding to the traditional civil social security system (family and kin) less disrupted of its former setting or resilient to the new urban context of modern life. But as socio-structural changes continue, social policies and social security systems have to change and they do. The question is: In which direction? When? And will new social systems evolve with competitive advantages compared to Western welfare states when judged in terms of the common battleground of global economic competition and co-operation?

Before tentatively answering these questions within our broader theoretical framework, we need a more compound explanation of the structure and dynamic of East Asian social security systems. Can the systems of the FGNICs be understood as *workfare states* in the regulation framework of Jessop?

Understanding East Asian Social Security Systems

Reviewing social security literature of Asian Pacific Tyabji (1993) explained social security patterns with a combination of three factors:

- Economic structure and development strategy: Governments gave priority to economic growth, export competitiveness and employment creation instead of poverty alleviation programs and direct social assistance. With low unemployment or labor shortages and increasing urbanization, social security might be extended, but growing informalization of the economy might hamper this development.
- Cost considerations: Governments preferred employment-related social security systems

and especially provident funding, where the state only contributes as an employer. Family allowances and social assistance in general are non-existent or kept at a minimum and degrading level.

- Shared values: The promotion of a hard work ethic and family support systems are paramount among Chinese and Confucian rooted political cultures (Taiwan, Singapore, South Korea and China) and also promoted by other authoritarian regimes (Thailand, Malaysia, Indonesia). In China and Taiwan (and recently Singapore) family support of parents and grandparents is now a legal obligation, while parents and grandparents are entitled to share survivors insurance payments in Malaysia and Indonesia.

In our opinion Tyabji's three factors are better understood as two sets: state economic policies (including cost considerations) and the common cultural legacy. The social security systems of East Asia fit with the chosen economic development policy of the governments and the socio-cultural legacies of East Asia. Thereby, Tyabji combines the approach taken by Deyo (1992) explaining social development with economic development policy, and the cultural welfare state approach taken by Jones with her "Confucian Welfare States." (1993)

The Tyabji-explanation can be coined as "economic development with cultural continuity." But such an explanation may also be turned upside down: social security systems generating economic development and cultural continuity.

The crucial thing is that old age pensions schemes have been established and that they have contributed to the huge saving rates and thereby to the massive domestic investment in tangible assets and human capabilities which is the abode of the *economic miracle* of East Asia.

The cultural continuity is a two edged sword: On the one hand we may say with Mitchell et al. that lump-sum pension payments (of insurance systems and provident funds) reflect the Chinese traditions of bonus payments on certain holidays, the demand for family support and the lack of trust in future payments by public or private institutions (1992: 147). Yet this lump-sum thinking may change with longer living and aging both among people and governing circles, activating other principles of Chinese culture, i.e. long-term (generational)

thinking instead of short-term gains.

The cultural legacy of Confucianism is debated and open for various interpretations, also in social policy areas. The fact is that social systems of Confucian-rooted societies have been rather different (China, Taiwan, Singapore, Hong Kong), while differently rooted societies have more similar systems (South Korea, the Philippines, Singapore, Malaysia).

This brings us to the point where Esping-Andersen's theory has been refined (1994) and Jessop's too: Social policy is part and parcel of state (re)building.¹⁰ Deyo did mention public pressure, which in the early phases of economic development in East Asia was repressed by force while it later on was accommodated because it came to fit with the changes in economic policies. Tyabji also records that social security legislation improved very much in Hong Kong, following social unrest in 1966-67, and also in Taiwan after social unrest in the end of the 1970s. Finally, South Korea's National Welfare Pension Insurance Law became enacted at last in the middle of the 1980s, 13 years after its first legislation and in a period of rising popular pressures for social and political changes.

Democratic state building is maybe the most difficult and this is what Korean policy-makers are up to. The Korean polity has embarked on democratic state building aided by social welfare thinking and fuelled by political democratization. South Korea is probably the society which has and still is undergoing the deepest socio-structural transformation. Moreover, the economic interventionist Korean state might also turn to social interventionism as the state loses ground to private sector corporations which again rapidly internationalized until the financial crisis 1997 due to the globalization discourse of former president Kim Young Sam (1993-97). Finally, social pressures might explode with the outbreak of the economic crisis in Korea in the end of 1997. With the irony of history, the dissident and pro-trade union leader, Kim Dae Jung, took office as president of South Korea in the midst of the most severe post-1953-financial crisis of the country. The new government has tried to resolve the crisis by way of forging a social corporatist alliance between the state, the chaebols and the trade unions in order to share the pains in a just way, but within a modified IMF-framework of stabilization and structural adjustment. The remedy is among other things to liberalize employers' opportunities for labor shedding while labor gets increased social security (extended unemployment insurance).

The problem of democratic state building is also in the forefront in Thailand, shifting between military coups and civil administrations. A break through for social welfare provisions has just been recorded. Whether or not it holds is difficult to estimate, not least during the present crisis, but the political-democratic regime seems to stand although the government fell.

Finally, the Philippines is not only more Western-like in its social security system. It did also trigger the drive for political democratization in East Asia which paralleled the implementation of stabilization and structural adjustment policies in the country 1984-85. The fall of the Marcos-regime in 1986 and the installation of the Aquino-administration provided a democratic example for the opposition forces in South Korea and Taiwan. The changes in the Philippines followed the hollowing out of social security by the ongoing and escalating economic crisis, and the new Philippine policy-makers undertook new social legislation despite economic recessions and huge external debts.

Building up social security systems is not a privileged occupation for democratic political movements. As Esping-Andersen argues convincingly, authoritarian regimes may use social policy to prevent social disorder and incorporate new classes and movements in the state framework. This is seen in China's reform process, accompanied with social reforms (e.g. unemployment legislation) and in Malaysia's authoritarian parliamentary democracy, applying and extending social legislation on an ethnic community basis, at least until the crisis which again threatens to erode the popular employment based pension system (EPF).

All in all, the historical and contemporary trend until 1997 points towards an employment based insurance system and not a universal, assistance based security system. The remarkable social development of East Asia has evolved without relatively strong and extensive public social provisions. Social development has been linked to the labor market and social security to the family. In consequence, Jessop's concept of the *workfare state* is rather appropriate for describing the mainstream *social security system* of East Asia while the characterization of the mode of regulation of East Asian societies is more difficult (as Jessop has acknowledged himself). Moreover, the East Asian workfare states resemble the conservative type of welfare states, identified by Esping-Andersen. Nevertheless, the overall trend includes various forms where the etatist (or statist) model prevails in terms of the economic nationalistic

developmental state while the social corporatist model is used for the provision of financial means for rapid capital accumulation. Jones' *Confucian welfare state* does not fit in the sense that family and kin based social security is widespread and fundamental for social security, not only in East Asian but in other developing countries as well. Finally, the *public social investment* strategy has not been given priority in the region as such but it has been pursued primarily in Malaysia and later on in South Korea. What makes a difference may be what we could call *private social investment* undertaken by Chinese and Korean families. The resilient position of private based family and kin security provisions calls for a revision of the state-centered focus of Western welfare thinking, at least in relation to East Asia. This would include a transition from the notion of *Confucian welfare states* unto *Confucian welfare societies*. Family and, secondarily, civil organizations, matters in Confucian rooted countries in East Asia while civil religious organizations matters more in Islamic societies than in Confucian societies.

The present financial and economic crisis in East Asian countries might change the trajectory of private versus public social security systems. The lack of profound state-provided social security means becomes evident to everybody, and the future options and outcomes will depend on the strategies chosen by the polity and the success or failure of economic recovery.

Bypassing – or forever left behind?

Let us now return to Jessop's claim (although a bit untimely) that *workfare* states will outcompete *welfare* states, or more specific that East Asian workfare states have established a competitive edge relative to Western *welfare* states in the contemporary era of global competition?

Understanding the strength and weaknesses of Eastern workfare states demands an analysis of the premises of their construction and their future context of development. This is exactly what Esping-Andersen does in his recent analysis of (Western) Welfare states and the alternatives appearing around the world. His findings are refreshing as they demonstrate the innovations within the Scandinavian welfare policies and the immanent problems of the new liberal welfare models. The East Asian states will not be able to base their future welfare policies on Confucianism, he argues, because young people reject it and the family institution is changing.

The following assessment of the East Asian workfare state will be based on historical and contemporary considerations.

The Historical Premises of East Asian Workfare States

The social security systems of the West and not least the Keynesian inspired public welfare sector took off during and after the worst economic and political crisis of 20th century western capitalism.

The economic crisis of the 1930s disqualified the neo-classical liberal economic ideology, at least until the Keynesian solution proved unsatisfactory during the internationalization and high growth period of the 1950s until the early 1970s.

The political crisis of the Second World War and the post-war *system*-conflict between the (state socialist) East and the (market liberal) West generated strong forces in favor of democratic and wide-ranging welfare building in the West. Large groups were integrated in the welfare machinery, and, as Esping-Andersen argues, the social democratic welfare states, based on the universal principle of social rights, seemed more resilient to neo-liberal political attacks than the less extensive welfare systems of liberal and conservative forms, although the taxation is much heavier.

Compared with the West, the East Asian economic and social miracles have only recently been tested in serious economic and political crisis (we do not consider Japan during the 1990s).

The economic recession in the 1970s was offset by clever macro-economic management which relied very much on international trade and the US market in particular. Moreover, stabilization policies were softer than the ones applied in Sub-Saharan Africa and Latin America, and structural adjustment took place on an earlier stage. Savings and investments were kept at a very high level whereby East Asian countries, and especially the instantly indebted South Korea, more or less invested themselves out of the recession (In the mid-1990s Indonesia faced a more severe situation than South Korea in 1980).

In sum, the state-guided high savings/investment and export-oriented industrial policies delivered because the USA supported these trading strategies. And as long as the world market was open to the East Asian countries, and they were able to compete on labor intensive products, they avoided severe economic setback. When the Southeast Asian countries felt the pinch in the middle of the 1980s the Northeast Asian countries started appreciating their currencies and massive foreign direct investments flowed down south. By implication, their employment based public social security systems was not disproved in public as it happened in the West.

The specific political conditions are both external and geopolitical and internal political-economic, socio-political and socio-cultural. The East Asian states have been located in the frontline of the *Cold War* 1948-89, demarcated with the Korean War 1950-53, the Vietnam War which was ongoing for most of the post-WWII period until 1975, and the Cambodia war which destabilized the region and especially South East Asia from 1979 until recently.

Being part and parcel of the international *system* conflict in combination with an internal hegemony of authoritarian anti-communism, East Asian states might better be baptized *warfare states* in the early period of industrialization. Later on, the *workfare state* was promoted and institutionalized within an existing framework of *warfare*, with a strong economy becoming seen as a prerequisite for a strong state with military capacity. Workfare was subordinated warfare, and welfare was subordinated workfare meaning that it was left to the private sector (family and kin) to care for the marginalized or excluded groups. The proper labeling of the East Asian states of the Cold War is *warfare -cum-workfare states*, neither *workfare* alone, nor welfare in any universal (social-democratic) way. The conservative welfare state with an authoritarian, Confucian ideology might fit better, although still embedded in a warfare framework.

The countries were also ruled by military or authoritarian civil regimes (the Philippines may be an exception before and after the Marcos dictatorship 1972-86). The external Cold War turned into *Cold civil war* with severe repression of oppositional forces, not least labor organizations and left wing political parties. But the only *Hot civil war* (after decolonization) evolved in the Philippines during the 1950s to resume in the end of the 1960s until the end of the 1990s at low intensive levels. The causes are to be found in the lack of land reforms and

the establishment of the autocracy of Marcos and semi-feudal power relations in the rural areas.

The warfare syndrome is materialized in the statistics concerning South Korea South Korea and Indonesia (table 9) while Singapore, Thailand and Malaysia have increased their military expenditures from 1960 to 1990. During the 1970s, defense expenses relative to total government expenses rose in South Korea, the Philippines and Thailand, while Singapore is the only country to rise relative defense expenditures 1980-92 (WB 1990, 1994). Social spending did also stagnate in Singapore (plus Indonesia) while it fell in the Philippines. Malaysia and South Korea have turned the *Cold War dividend* into social benefits. Surprisingly, Malaysia is the country in the region which has the biggest public expenditure (to GNP) both in 1960 and 1990!

Changing Premises in the 1990s

The external economic premise for increased trade and export industrialization is sustained with the successful conclusion of the international trade negotiations (the Uruguay round) and the establishment of WTO as a substitute for GATT. The internal economic context carried on the other hand on a rising imminent contradiction which could trigger a crisis. The economic miracle was based on increasing labor force participation, relocation of labor from agriculture to industrial production and a labor reserve (unemployed or underemployed), conducive to low wage increases compared to productivity. With declining labor force growth, smaller agricultural workforce, increased demands for longer education and full employment, labor shortages may generate above productivity wage increases, undermining economic competitiveness in the long run. Only few argued like Krugman (1994) that the East Asian Miracle was a myth due to wealth creation by massive mobilization of capital and labor without concomitant productivity improvements, and that the economic growth of the region therefore would slow and never catch up to the level of the West. But Krugman (1998) denies that he thereby foresaw the financial crisis, because he assumed the high growth trajectory to turn into a long-term slow down, not a crash.

Logically speaking, additional labor supply can also be achieved from three sources:

- labor-saving technological investments

- labor immigration
- women labor force participation

Krugman rejected that technological development and thereby productivity increased evolved with the economic growth in East Asia. By implication, no significant labor freeing took place that way. However, he did not consider the option for labor import or immigration. This device was not allied on a massive scale in South Korea and Taiwan, but immigration was part and parcel of the economic rise of Hong Kong and Singapore. In Malaysia (and Thailand), labor immigration became the primary solution to labor shortages in the middle of the 1990s (Edwards 1997), probably weakening the pressure for technological upgrading in an economy which was based on labor intensive and relative low wage costs, paving the ground for the impasse in 1997.

In a social security perspective it is decisive whether or not the women increasingly enter the labor market. If so (as it happened in Scandinavia in the 1960s and 1970s) private social security systems will come under stress (if not the patriarchy of most East Asian countries changes, which is not expected overnight). Economic development may then put women in the center of the future social development. Increased female employment will certainly push public welfare policy ahead and make social issues important public issues. Whether or not this will change the discourse of development policies is a matter of political structures and processes. And the political premises of East Asian miracles are changing too.

The processes of democratization started in the Philippines with the overthrow of the Marcos-regime in 1986, and continued in South Korea and Taiwan in 1987. In Thailand, military and civil governments interchanged until 1993, the civilian and democratic forces getting the upper hand. In Singapore, opposition has been able to hardly breed. In Malaysia, a *one-coalition* system has dominated politics and it has again been dominated by one party. In Indonesia a civilian-military regime was firm in power until the economic crisis and the fall of Suharto in 1998. In China, the *one-party* system prevailed with increasing decentralizing forces in operation.

When people achieves more democratic space, old and new social classes and groups may organize and join the political contest. This is now taking place primarily in South Korea and

Taiwan, where political repression withheld the development of social movements until a decade ago, and where new social classes have emerged in the wake of changing social structures.

With new political space and new social groups in the terrain the importance of cultural identities and belongings come to the forefront. The winner of the new public cultural struggle will set the discourse for various policies including social policies. And the internal and external political forces seem to converge around the rising cultural issues.

In the early 1990s culture was promoted to the highest level of international priority by Samuel Huntington (1993). Huntington argued that international conflicts of the 21st Century will center on contradictions between civilizations and in particular the Western civilization on the one hand and the Chinese and the Muslim civilizations on the other hand. Cultural cleavages would superseded the ideological struggles of World Wars-area of the 20th Century, the nationalist struggles of the 19th Century and the absolutist struggles of the centuries before. The cultural contradictions between the West and the Chinese became manifest in the debate on Human Rights violations and the linking of human rights issues to questions of US trade privileges and China's access to the GATT/WTO-global market agreement.

In East Asia, cultural consensus may be (re)established by rejecting Western democratic welfare societies. The Prime Minister of Malaysia, Mahathir bin Mohamad, is one, if not the foremost, stout critic of the West (Udvikling no. 10, 1993: 9-13). He has argued that Western forms of democracy take individual freedom to the point of anarchy; that Western types of welfare with social assistance and material affluence breed laziness; and that Western morality in terms of materialism and individualism are undermining the values of family solidarity. Not surprisingly Mahathir bin Mohamad was one of the outstanding critics of Western currency speculation, holding the West responsible for the crisis and taking the criticism to the point of racism by linking the financial speculator Soros with international Jewish attacks on progressing Islamic societies like Malaysia.

But the negative consensus turns into contest when it comes to the formulation of a positive cultural perspective. Mahathir advocates a modern interpretation of Islam as the alternative world view for the Malaysian people, while the former Prime Minister of Singapore, Lee

Kuan Yew, propagates Confucianism in a modernized version (neo-Confucianism) as the remedy against Westernization and anomie. Other non-Western worldviews are also viable, like Buddhism and Taoism. Besides, one worldview has various interpretations. Contest and not consensus reign in the cultural terrain of East Asia.

If we are right in our diagnosis that the *Cold War* provided the East Asian regimes with a unique opportunity for economic development under the aegis of the USA (similar to Western Europe which had the Marshall aid conditioned by liberalizing their economies), then a new *Cultural War* might be an opportunity for the regimes of the 21st Century to legitimate authoritarian political cultures which are conducive to the combined conservative and developmental state-based systems of social security. The application of a liberal *lean* rudimentary social assistance system in Hong Kong (Jones) will probably fall with the 1997 reunification with China despite guarantee for continuations. And the PRC's state-socialist security system is under strong pressures in the direction of a conservative social insurance system, albeit a sub-tendency moves in the direction of a universal system (the unemployment insurance system rooted in socialist welfare thinking).

Culture is anyway a social construction being questioned and reconstructed along the way. One profound issue is the question of cultural universalism versus cultural particularism and relativism, of universal principles for the conduct between nations and between governments and citizens within nations in a global world (Tønneson 1994). And cultural particularism will often show up as cultural complexity after closer scrutiny. Subcultures and countercultures emerge behind the veil of nation-cultures.

The *social development* discourses of tomorrows East Asia will probably evolve from the melting pot of economic development and crisis, structural adjustments and transformations, political changes of regimes and actors, and the rise of social security issues (old age pensions, unemployment, erosion of extended and nuclear families into single parent families etc.) to the forefront of political discourse, in democratic ruled as well as authoritarian ruled countries. The social welfare discourse will probably relates to with the public understanding of the cause-effects of the crisis and the options for future prevention (international versus national, economic versus cultural, democratic state building or regrouping of powerful interests). No doubt political forces will be forced to consider claims for social citizenship

and social rights a la Western welfare systems after the East Asian miracle has turned into a debacle. Political power grows also out of social misery, and East Asia has a legacy of voluntary, community or state backed organizations engaged in social tasks (Jones 1993). They may turn up as the jokers in a social landscape where the family and the state so far have been the key agencies, providing social security at a rudimentary but sufficient level during the last three decades while accumulating state-controlled funds for old age pensions and in-between investments.

The Financial Crisis and Its Social Impact

The East Asian crisis 1997/98 is currently a financial crisis turning into an economic crisis in Thailand, Malaysia, Indonesia and South Korea, with Indonesia being the worst hit country due to external and internal conditions. Several researchers argue that the crisis is a private sector crisis, not a crisis of state-led and public sector development.¹¹ It started in Thailand, facing economic slowdown which turned into property and stock-marked decline which again triggered a financial deroute and currency crisis. The financial system crashed, and the impact snowballed over the Southeast Asian countries (Singapore being hit least) and along the way reaching South Korea, Hong Kong and Japan (Taiwan has been less affected, and China has still managed to avoid the consequences and depreciate the currency). The response of the East Asian governments in charge of financial meltdowns (Thailand, Indonesia, South Korea) was to call for financial assistance from the USA, Japan and when these prayers failed, from IMF. The IMF rescued the governments conditioned by tough measures against overvalued currencies, low interest payment, state budgets and current account deficits. IMF calls for depreciation, rising interest, budget surpluses, lower currency account deficits, reforms of financial markets and business structures by deregulation, bankruptcies of default companies, transparency in financial transactions and accountability instead of *crony capitalism*.

Hence, a crisis which followed financial de-regulations during the early 1990s and the inflow of speculative capital were approached with a solution of more liberalization, marketization and internationalization. These policies if implemented will create more economic and social insecurity in the years to come, and people will be more concerned with social security issues now and in the future. Whether the pressures turn into a public or a private solution are open for debates, political struggles and strategic considerations. At the moment, the worst hit four countries present each a scenario of their own:

- Thailand follows the IMF instructions based on a viable political democracy, a rather liberal economic policy, and a rural linked private social security system which is probably still rather intact preventing the unemployed from total misery through reverse migration although discontent with the IMF and the West is rising (see Parnwell 1998).
- Indonesia follows partly the IMF guidelines, but the state is in a mode of transition or chaos with no strong or legitimate leadership and rising social problems and social rioting among political opposition and political violence.
- South Korea has negotiated a better deal with the IMF after the new Kim Dae Joung government took over, but the government is facing steep resistance from stakeholders against reforms towards more deregulated product, capital and labor markets. A social corporatist alliance has been forged, but might not endure due to the contradictions of South Korea's *compressed modernity* (Chang K. -S. 1998).
- Malaysia is taking its own way. In contradiction with the IMF-policy the Malaysian government introduced currency control in September 1998 with other measures against capital outflows from Malaysia on the agenda (e.g. excess dividends to foreign shareholders). Moreover, the government decided for an expansionary, reflationary financial policy in 1999 in order to turn the domestic economy around. Finally, the government is trying to save the core of the Bumiputera Commercial and Industrial Community, i.e. the emerging Malay capitalist class (see Gomez 1998). The policy shifts and tensions between older and younger Malay politicians generated a new showdown whereby the deputy premier minister and finance minister, Anwar Ibrahim, was expelled from the government and the party and jailed under the Internal Security Act (ISA).

In sum, Malaysia is trying to partly revive policies which were used successfully by the South Korean and Taiwanese governments before the 1990s. However, and contrary to South Korea and Taiwan, Malaysia is much more dependent on foreign direct investments and transnational companies, and it is a much more open economy, being one of the most internationalized economies of the world. It is very dependent on the US and European export markets, and will have to accommodate to the general policies of these regions although is

has managed to avoid the IMF-conditionalities for the time being.

Behind the turbulent surface the structural problems of rapid industrializing countries show up. None of the East Asian countries, and at least not Thailand, Malaysia and Indonesia have yet become Schumpeterian economies driven by sophisticated high-tech industrial policies and innovation-based manufacturing and service industries. They have been muddling through based on low cost comparative advantages and political stability but by solving problems of labor shortages through labor immigration instead of industrial upgrading they are falling back at least to regain labor cost competitiveness but in some case losing political stability which is a prerogative for foreign direct investments and for redirecting the resources towards technological leapfrogging and educational-cum-vocational development.

Conclusion

In the mid-1990s existing universal public social security systems (social-democratic welfare states) were under crossfire due to internationalization of national economies, high unemployment and prospects of jobless growth, large redistribution of social benefits financed by taxation, and the aging of populations. The East Asian workfare states appeared to many as an alternative to Western welfare states, coined by Gordon White as *positive Orientalism*.

The crisis of Western welfare states was seen as a crisis of premises, not massive erosion of welfare provisions, expressed by Esping-Andersen as a trade-off between growth and equity in a globalized economy. However, based on the analysis of the economic and social *miracles* of East Asia until 1997, I contend that human development with economic growth and equity was possible in an expanding world marked and geopolitical context during the *Cold War* era 1948-1990. In short, the Cold War East Asian trajectory might be labeled *social development without welfare states*.

This trajectory has been possible, first, by lack of a serious and enduring economic crisis, second, by equating national security with economic nationalism and lack of political democracy in East Asia, and third, by being located in the international *Cold War*. The outcome - *the Warfare-cum-Workfare states* of East Asia proved very efficient in economic and social terms while societies were changing.

So far, public social security systems have mainly been designed along employment based principles by applying either a conservative model (forced insurance of employees) or a developmentalist model (forced savings among employers and employees). The difference seems to be affected by the particular capital structure (domestic or foreign direct investments) in the country, making provident funds more acceptable in countries with strong foreign sectors in the economy (Malaysia, Singapore) than in countries with less foreign capital involvement (South Korea, Taiwan). Whether or not they will converge in the future into an employment based social insurance system, framed by social legislation and paid by employers and employees, is open for political battles in the future.

Deyo and Jessop argued for the correspondence between economic and social development policies. In a situation of profound changes in development strategies, the question is, how to combine economic and social policies. The economic effectiveness of various social security systems is debated. The similarities of social investment strategies, promoted in Scandinavia, East Asia and by the World Bank, call for depth-going analysis. East Asian public social investments did not reach very high levels in an international perspective, and private social investments seem to prevail, based on family responsibilities, the status of education and a high saving ratio. The hidden abode of the socio-economic miracle in East Asia is the high saving/investment ratio, which have been made possible by the combined forces of family and state-initiated social security provisions and provident funds. It was only when public and private power holders turned to accelerated growth through financial deregulation and inflows of short-term speculative capital that the bubble was created and finally burst (Chandrasekhar & Ghosh 1998).

The type of governing alliances and their general development policies may not change much with the transition from cold-war civil/military regimes to post-cold-war civil regimes, because the authoritarian elites are trying to keep their hegemony by legitimizing their governance through cultural legacies and a newly constructed cultural war against the West. Pursuing cultural identity and continuity in authoritarian political cultures (neo-Confucianism, political Islam) social policies will attempt to strengthen the family and the workplace as the centers of social security.

With the onslaught of the financial and economic crisis the prospects for development of

public social security systems have changed. The former and relatively weak countervailing powers might rally within a more democratic political system under the banner of public-supported social security systems, and there are several social actors in East Asia: The rise of more independent labor movements, supported by international social democratic (e.g. ICFTU) or corporate (e.g. ILO) organizations abroad; middle class movements trapped between secular or religious rationality; women's movements; community movements based on ideas of social citizenship; environmental movements; political movements using social issues as the route to political ascendancy; and religious movements linking up with political and social groups (for Malaysia see Wad 1997). And the counterpoint might be argued on cultural premises, too: the traditional moral economy of rural South East Asia, state responsibility for the common good in Confucian thinking, the stress on welfare in Korean political culture, workfare ideologies giving priority to workplaces and corporate or new enterprise cultures etc.

What seems incompatible with East Asian structures, cultures, agencies and dynamics is the neo-liberal model prescribing individual, private insurance as advocated by the World Bank among others and tried out in Latin America.

The so-called *social investment* model of East Asia is now up for test at the same time as some Western countries are turning to the same strategy although designed and implemented in other ways and within other contexts and levels of social security. While East Asian warfare-cum-workfare states do not seem to aim for or being capable to bypassing Western Welfare states (at least not in terms of public social security) for the next decades, Western states are increasingly emphasizing the general strategy for social investment, proactively aiming to prevent social marginalization and exclusion. Both systems are moving towards the center of the public-private stratification of social security systems and broader social development, but the difference remains: While the crisis in East Asia disclosed the welfare hollowness of the warfare-cum-workfare model in contexts of rising unemployment, the globalization of Western societies indicates that the universal welfare state is rather resilient to political attacks if not outright a prerogative, as argued by Esping-Andersen, for flexible adaptation to and exploration of changing international political-economic conditions.

Notes

¹ FGNICs include South Korea, Taiwan, Hong Kong, and Singapore.

² SGNICs include Malaysia, Thailand and Indonesia.

³ Esping-Andersen added: “In this model, the progress of social reform has been severely circumscribed by traditional, liberal work-ethic: it is one where the limits of welfare equal the marginal propensity opt for welfare instead of work. Entitlement rules are therefore strict and often associated with stigma; benefits are typically modest. In turn, the state encourages the market, either passively - by guaranteeing only a minimum - or actively - by subsidizing private welfare schemes.” (1990: 26-27)

⁴ “This model crowds out the market, and consequently constructs an essentially universal solidarity in favor of the welfare state. All benefit; all are dependent; and all will presumably feel obliged to pay.” (Esping-Andersen 1990: 28)

⁵ “(The historical forces) involve, first, the pattern of working-class political formation and, second, political coalition-building in the transition from a rural economy to a middle-class society. The question of political coalition-formation is decisive. Third, past reforms have contributed decisively to the institutionalization of class preferences and political behavior. In the corporatist regimes, hierarchical status-distinctive social insurance cemented middle-class loyalty to a peculiar type of welfare state. In liberal regimes, the middle classes became institutionally wedded to the market. And in Scandinavia, the fortunes of social democracy over the past decades were closely tied to the establishment of a middle-class welfare state that benefits both its traditional working-class clientele and the new white-collar strata....” (Esping-Andersen 1990: 32)

⁶ “The risks of welfare-state backlash depend not on spending, but on the class character of welfare states. Middle-class welfare states, be they social democratic (as in Scandinavia) or corporatist (as in Germany), forge middle class loyalties. In contrast, the liberal, residualist welfare states found in the United States, Canada, and, increasingly, Britain, depend on the loyalties of a numerically weak, and often politically residual, social stratum. In this sense, the class coalitions in which the three welfare-state regime-types were founded, explain not only their past evolution but also their future prospects.” (Esping-Andersen 1990: 33)

⁷ “A hallmark of conservative ideology is its view that the commodification of individuals is morally degrading, socially corrupting, atomizing, and anomic. Individuals are not meant to compete or struggle, but to subordinate self-interest to recognized authority and prevailing institutions.” (Esping-Andersen 1990: 38) In practice, conservatism has produced three models: feudal paternalism, corporatism and etatism (social rights are the solution to the social issue). Esping-Andersen holds that conservatism contains the historical origins of modern social policy (ibid. 1990: 41).

⁸ “The general assumption of liberalism is that the market is emancipatory, the best possible shell for self-reliance and industriousness. If not interfered with, its self-regulatory mechanisms will ensure that all who want to work will be employed, and thus be able to secure their own welfare.” (1993: 42). In practice, liberalism had to recognize that not all were capable to join the market and make a livelihood. Liberalism produced two solutions: One was to herald the *less eligibility* principle in a modified form as means-tested social

assistance. The other was to advocate individual or if necessary, collective insurance systems.

⁹ “What characterizes almost all early socialist social policy is the notion of basic, or minimal, social rights: the idea was to install strong entitlements, but at fairly modest benefit levels, and typically limited to the core areas of human need (old age pensions, accident insurance, unemployment and sickness benefits)...The goal was to stage off poverty, not really to emancipate workers from market dependency.” (Ibid. 1990: 46).

¹⁰ Inspired by Goodman, R. & Ito Peng (1996) who argue that the *East Asian social welfare regimes* are part of an enduring nation-building process, based on basic institutions of the past and ad hoc responses to problems arising along the way. The particular welfare regimes were not part of a deliberate long-term strategy, as Deyo seemed to argue.

¹¹ Veneroso & Wade 1998; Rasiah 1998; Krugman 1998; Jomo (ed.) 1998.

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